

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.3037 Limited collision, broad form collision, and standard and limited collision coverages; deductibles; waiver of deductible; rejection of coverages; form; rejection statement; failure to sign or return written rejection statement; explanation of collision coverage options; providing policyholder with collision coverage information; “collision coverage” and “substantially at fault” defined; effective date of section.

Sec. 3037. (1) At the time a new applicant for the insurance required by section 3101 for a private passenger nonfleet automobile makes an initial written application to the insurer, an insurer shall offer both of the following collision coverages to the applicant:

(a) Limited collision coverage which shall pay for collision damage to the insured vehicle without a deductible amount when the operator of the vehicle is not substantially at fault in the accident from which the damage arose.

(b) Broad form collision coverage which shall pay for collision damage to the insured vehicle regardless of fault, with deductibles in such amounts as may be approved by the commissioner, which deductibles shall be waived if the operator of the vehicle is not substantially at fault in the accident from which the damage arose.

(2) In addition to the coverages offered pursuant to subsection (1), standard and limited collision coverage may be offered with deductibles as approved by the commissioner.

(3) Where the applicant is required by the insurer to sign the written application form described in subsection (1), if the applicant chooses to reject both of the collision coverages, or limited collision without a deductible, offered under subsection (1), the rejection shall be made in writing either on a separate form or as part of the application, or some combination thereof, as approved by the commissioner. The rejection statement shall inform the applicant of his or her rights in the event of damage to the insured vehicle under the alternative coverage option selected.

(4) In the case of a written application made by mail, if the applicant fails to sign or return a written rejection statement as required by subsection (3), the requirements of subsection (3) shall be considered to have been satisfied with respect to the insurer if all of the following occur:

(a) The application provides the applicant with an opportunity to select the coverages required to be offered under subsection (1).

(b) The applicant is requested to sign the rejection statement, either as part of the application or as a separate form issued with the application, if the applicant fails to select either of the coverages specified in subsection (1).

(c) The applicant signed the application as otherwise required by the insurer.

(5) At the time of the initial written application specified in subsection (1), an agent or insurer shall provide the applicant with a written explanation of collision coverage options in easily understandable language, if that information is not contained in the application form.

(6) At least annually in conjunction with the renewal of a private passenger nonfleet automobile insurance policy, or at the time of an addition, deletion, or substitution of a vehicle under an existing policy, other than a group policy, an insurer shall inform the policyholder, on a form approved by the commissioner, of all of the following:

(a) The current status of collision coverage, if any, for the vehicle or vehicles affected by the renewal or change and the rights of the insured in the event of damages to the insured vehicle under the current coverage.

(b) The collision coverages available under the policy and the rights of the insured in the event of damage to the insured vehicle under each collision option.

(c) Procedures for the policyholder to follow if he or she wishes to change the current collision coverage.

(7) As used in this section:

(a) “Collision damage” does not include losses customarily insured under comprehensive coverages.

(b) “Substantially at fault” means a person's action or inaction was more than 50% of the cause of the accident.

(8) This section shall take effect March 1, 1980.

History: Add. 1976, Act 303, Imd. Eff. Oct. 27, 1976;—Am. 1979, Act 145, Imd. Eff. Nov. 13, 1979;—Am. 1979, Act 147, Eff. Mar. 1, 1980;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

Compiler's note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

Popular name: Act 218